

AR19



A N N U A L R E P O R T

1959

Canada Iron

foundries, limited

Canada Iron

foundries, limited

DIRECTORS

D. W. AMBRIDGE, C.B.E., *President*,
Abitibi Power & Paper Co. Ltd., Toronto, Ont.

C. W. CARRY, *President*,
C. W. Carry Ltd., Edmonton, Alta.
Calgary Structural Steel Ltd., Calgary, Alta.

ROSS CLARKSON, *Chairman of the Board*,
The Royal Trust Company, Montreal, Que.

C. L. GUNDY, *President*,
Wood, Gundy & Co. Ltd., Toronto, Ont.

SIDNEY HOGG, *President*,
Western Bridge & Steel Fabricators Ltd., Vancouver, B.C.

J. G. KIRKPATRICK, *Partner*,
Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal, Quebec

A. D. MCCALL, *President*,
Drummond, McCall & Co. Ltd., Montreal, Que.

H. E. McKEEN, *Chairman of the Board*,
Tamper Limited, Lachine, Que.

D. I. McLEOD,
McLeod, Young, Weir & Co. Ltd., Toronto, Ont.

J. M. PRITCHARD, *Chairman of the Board*,
Texaco Canada Ltd., Montreal, Que.

T. F. RAHILLY, *Chairman of the Board and President*,
Montreal, Que.

F. A. SHERMAN, *Chairman of the Board*,
Dominion Foundries & Steel Ltd., Hamilton, Ont.

REGISTRAR

THE ROYAL TRUST COMPANY
Montreal, P.Q., Toronto, Ont., Halifax, N.S., Winnipeg, Man., Vancouver, B.C.

TRANSFER AGENT

MONTREAL TRUST COMPANY
Montreal, P.Q., Toronto, Ont., Halifax, N.S., Winnipeg, Man., Vancouver, B.C.

THE

MARCH
1959

CANADA IRON FOUNDRIES, LIMITED — Montreal

T. F. RAHILLY, *Chairman of the Board and President*

ROSS CLARKSON, *Vice-President*

M. S. GROGAN, *Vice-President and Secretary-Treasurer*

R. K. CARTY, *Vice-President and General Manager*

R. LYLE, *Vice-President, Sales*

G. D. TURNBULL, *Vice-President, Operations*

J. E. REHDER, *Vice-President, Technology*

J. E. CONNER, *Group General Manager, Structural Steel Division*

J. A. CROSS, *Group General Manager, Manufacturing & Sales Division*

CANADA IRON GROUP

DOMINION STRUCTURAL STEEL LIMITED — Montreal

E. H. HARTLEY, *President*

C. W. CARRY LTD. — Edmonton

CALGARY STRUCTURAL STEEL LTD. — Calgary

C. W. CARRY, *President*

WESTERN BRIDGE & STEEL FABRICATORS LIMITED — Vancouver

SIDNEY HOGG, *President and Managing Director*

E. H. HARTLEY, *Vice-President and General Manager*

TAMPER LIMITED — Lachine

H. E. McKEEN, *Chairman of the Board*

D. J. LaFontaine, *President*

R. J. BAILIE, *Executive Vice-President*

PRESSURE PIPE LIMITED — Montreal

P. M. DRAPER, *President*

RAILWAY & POWER ENGINEERING CORPORATION, LIMITED — Toronto

C. M. LOVSTED & COMPANY (CANADA) LIMITED — Vancouver

PAPER MACHINERY LIMITED — Montreal

PAPER MILL EQUIPMENT LIMITED — Montreal

H. A. GLENN, *President*

REPORT *of the Board of Directors*

PROFITS AND DIVIDENDS

The consolidated operating profits of your Company and its subsidiaries for the year ended December 31st, 1959, were \$5,774,716. After provision for depreciation, interest on funded debt, income taxes and other charges, the consolidated net profit was \$463,635, which is equal to 34¢ per share on the 809,874 Common shares outstanding at year end after provision for dividends of \$187,108 on the 4¼% Preferred stock. This compares with a net profit of \$2,454,983 or \$2.84 per Common share earned in 1958 on the 793,218 shares then outstanding.

The substantial reduction in net profit is due to the large loss incurred by Dominion Structural Steel Limited. This loss was principally due to contracts entered into at competitive prices resulting in costs in excess of selling prices. In addition, the development of new product lines such as industrial cranes, roof deck and wall panel, had not proceeded far enough to be profitable. The prolonged steel strike in the United States also created a slackening in operations late in the year resulting in substantial layoffs and increases in costs.

Reference was made to the declining profit margins in structural steel in the letter to the shareholders accompanying the report for the year 1958 and again in my statement to the shareholders at the Annual Meeting held on April 21st, 1959. Matters worsened as time went on and I revealed to the shareholders the adverse results of the operations of Dominion Structural Steel Limited in my letter of November 25th, 1959.

You will note the disproportionate provision for income taxes of \$1,790,140 on an income of \$2,260,667. This is due to the fact that all companies in the Group other than Dominion Structural Steel Limited felt the full impact of income taxes. A portion of the loss experienced by Dominion Structural Steel Limited for the year has been applied against earnings of the previous year in order to obtain a recovery of income taxes paid. The balance of the loss is available to apply against future earnings in determining the income tax liability of the Company in accordance with the provisions of the Income Tax Act.

All other companies in the Canada Iron Group operated profitably and showed modest increases over their earnings in 1958.

SALES

Consolidated net sales were \$105,712,364 in 1959 compared with \$88,255,414 in 1958, an increase of 19.8%, an all time high for the Group. Records were established by Pressure Pipe Limited, Tamper Limited, Calgary Structural Steel Ltd., and Dominion Structural Steel Limited.

WORKING CAPITAL

The working capital of your Company is now \$16,996,670 having decreased by \$4,160,257 during the year.

the Shareholders for the year ended 31st December, 1959

Working Capital Additions were:

Operations—

Net income for the year	463,635		
Add: Allowance for depreciation	2,319,885		
Amortization of debenture discount	29,396	2,349,281	2,812,916

Cash received upon the conversion of 5,552 preferred shares to 16,656 common shares	69,475		
Change in funded debt maturing within one year	5,000		
			<u>2,887,391</u>

Working Capital was reduced by:

Dividends	1,396,197		
Additions to fixed assets (net)	4,690,931		
Funded debt redemption	915,000		
Redemption of preferred shares by subsidiary company.	45,520	7,047,648	

Decrease in Working Capital during the year			<u><u>\$4,160,257</u></u>
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FINANCES

The funded debt of the Canada Iron Group is now \$13,177,000 of which \$910,000 matures in 1960. Bank loans less Cash were \$17,561,241 at the end of the year compared with \$16,167,917 at the end of 1958.

Accounts receivable were \$22,033,196 at December 31st, 1959, reflecting an increase of \$3,828,763 as compared with the end of 1958. This increase was due to the high volume of sales which reached its peak in the last quarter of the year.

Inventories were \$23,157,895, being a reduction of \$3,577,858 from those of December 31st, 1958. This reduction was due principally to a substantial decrease in raw material and work-in-process at Dominion Structural Steel Limited.

FIXED ASSETS

Expenditures for plant and equipment during the year amounted to \$4,690,931. A new machine shop was built and equipped at the Trois Rivières plant to increase the capacity of your Company's production of steel rolling mill machinery, paper

mill machinery, presses and other heavy equipment. Substantial additions were also made at Eastern Avenue plant, Toronto, to mechanize foundry production. The Trois Rivières and Eastern Avenue plants are both Canada Iron units.

Pressure Pipe Limited in Montreal completed an addition to its office building, installed prestressed concrete manufacturing equipment and modernized the sewer pipe plant.

Tamper Limited and Dominion Structural Steel Limited completed plant and equipment additions at Montreal and Winnipeg respectively.

All plants in the Group have been well maintained.

PERSONNEL

Mr. A. F. McLachlin, Chairman of the Board of Railway & Power Engineering Corporation Limited, has retired from that company and as a Director of Canada Iron Foundries, Limited after long years of efficient and loyal service, at the Annual Meeting held April 21st, 1959. To succeed Mr. McLachlin, Mr. J. G. Kirkpatrick of Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, was elected a Director. At the meeting of the Board held on January 22nd, 1960, the resignation of Mr. W. A. Marshall as a Director was accepted by the Board. No action with respect to the vacancy created by Mr. Marshall will be taken before the Annual Meeting.

OUTLOOK

Backlogs of the Canada Iron Group going into 1960 are the largest in its history. We still continue to have pressures on profit margins but the situation is somewhat better than it was in 1959.

All your companies have moved into 1960 with no carry-over from unprofitable contracts. All losses incurred on unprofitable contracts have been taken into 1959 accounts and for a few uncompleted contracts possible losses in 1960 have had reserves set up in 1959 accounts. For production at the Eastern Avenue plant, Toronto, the Company has secured approximately 28,000 tons of cast iron tunnel liners for the Toronto Transit Commission's subway, and for its Trois Rivières plant the steel shields required for the excavation of the subway.

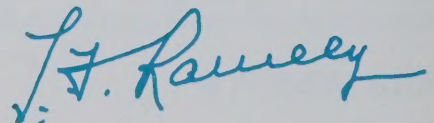
Dominion Structural Steel Limited is a partner with Dominion Bridge Company Limited in a joint venture to fabricate and erect the Place Ville Marie Cruciform Building, the largest project of its kind in Canada, requiring 40,000 tons of structural steel. In addition, it has other substantial contracts such as the Hydro Quebec Office Building and the Toronto-Dominion Bank Building, both in Montreal.

Product development is being pursued vigorously. Tamper Limited has developed new mobile railroad maintenance equipment which has had good market acceptance and should contribute substantially to profits in 1960. Pressure Pipe Limited has successfully entered the rapidly expanding market for prestressed concrete products with the production for the construction industry of Single and Double Tee Beams up to 100 foot span.

Your management is alert to all the problems with which it must contend and is confident that the Group will soon be back on a good earnings basis.

The Directors extend their thanks and express their appreciation for the loyal and efficient services of the officers and employees of the Company and its subsidiaries during the year.

On behalf of the Board,

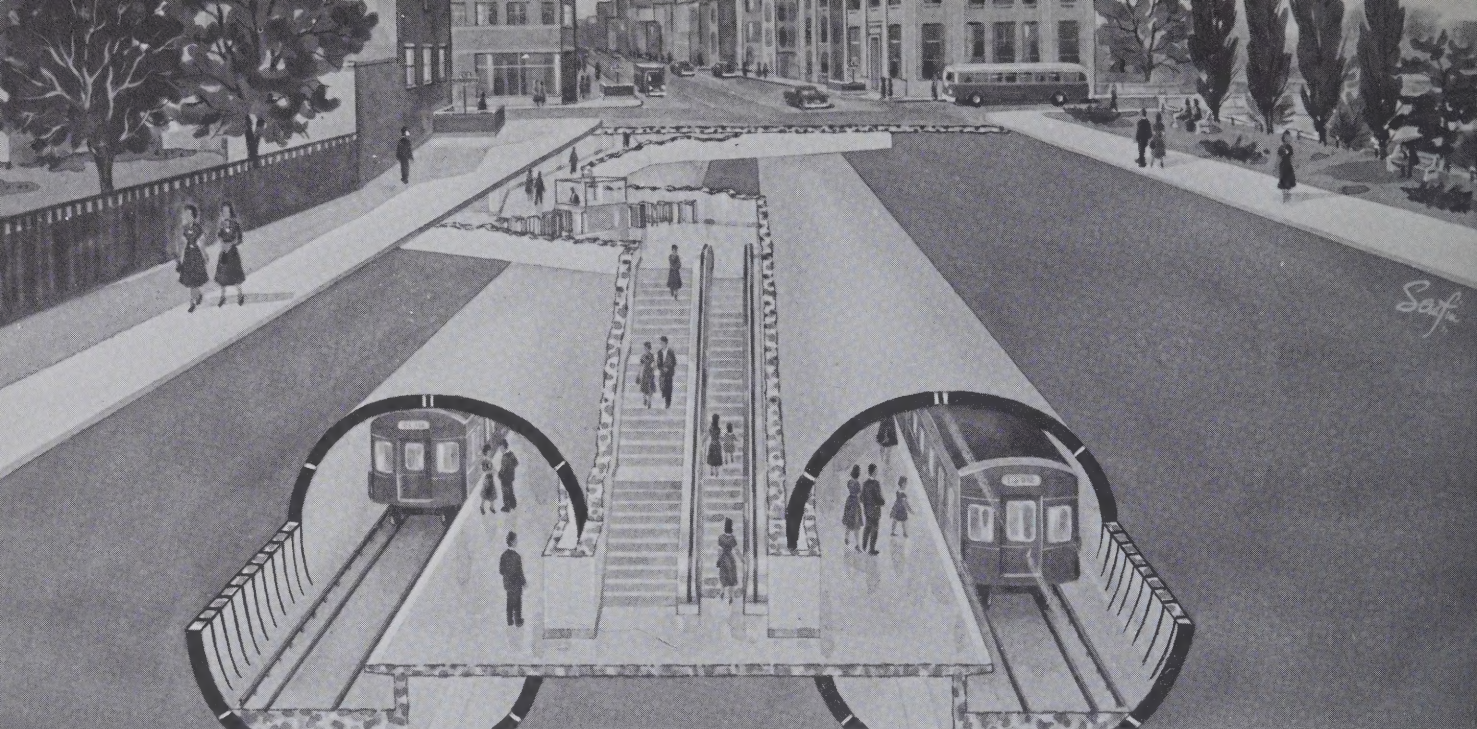


Chairman and President.

MONTREAL, 19th February, 1960.

Financial Highlights 1959

	1959	1958	1957	1956	1955
Sales	\$105,712,364	\$88,255,414	\$85,277,893	\$86,766,535	\$67,487,258
Net Profit					
Amount	\$ 463,635	\$ 2,454,983	\$ 2,484,188	\$ 4,383,919	\$ 2,593,554
per Common Share	\$0.34	\$2.84	\$3.15	\$5.94	\$3.71
Dividends on Common Shares					
Amount	\$ 1,209,089	\$ 1,136,603	\$ 1,079,500	\$ 1,056,994	\$ 890,938
per share	\$1.50	\$1.50	\$1.50	\$1.50	\$1.27½
Dividends on Preferred Shares	\$ 187,108	\$ 205,300	\$ 207,236	\$ 159,375	—
Income Taxes	\$ 1,790,140	\$ 2,226,637	\$ 2,302,475	\$ 3,793,800	\$ 2,187,000
Inventories	\$ 23,157,895	\$26,735,753	\$27,439,802	\$21,957,354	\$13,908,444
Working Capital	\$ 16,996,670	\$21,156,927	\$21,447,432	\$19,805,794	\$13,649,746
Capital Expenditures	\$ 4,690,931	\$ 2,284,317	\$ 7,805,263	\$ 2,886,627	\$ 2,114,897
Number of Employees	5,421	5,045	4,859	5,251	4,590
Number of Common Shareholders	4,712	4,725	4,860	4,998	5,130
Number of Preferred Shareholders	880	1,073	1,125	1,275	—
Number of Common Shares Outstanding	809,874	793,218	722,254	711,475	698,775

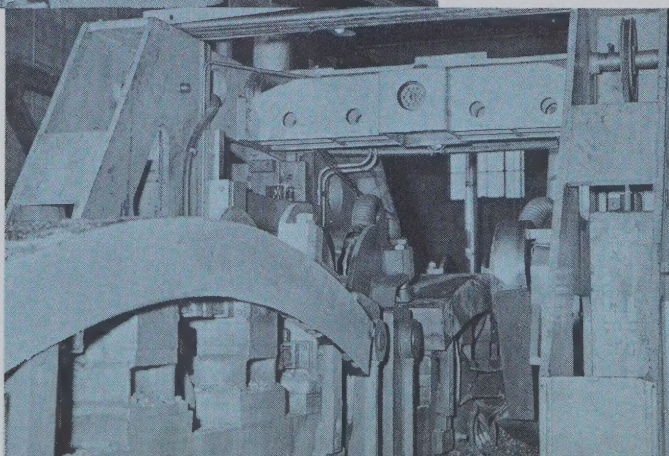


Artist's impression of future subway station at Toronto's Bloor and Sherbourne intersection showing cast iron liners.

1959 SALES EFFORT PRODUCES HIGHEST BACKLOG IN THE COMPANY'S HISTORY

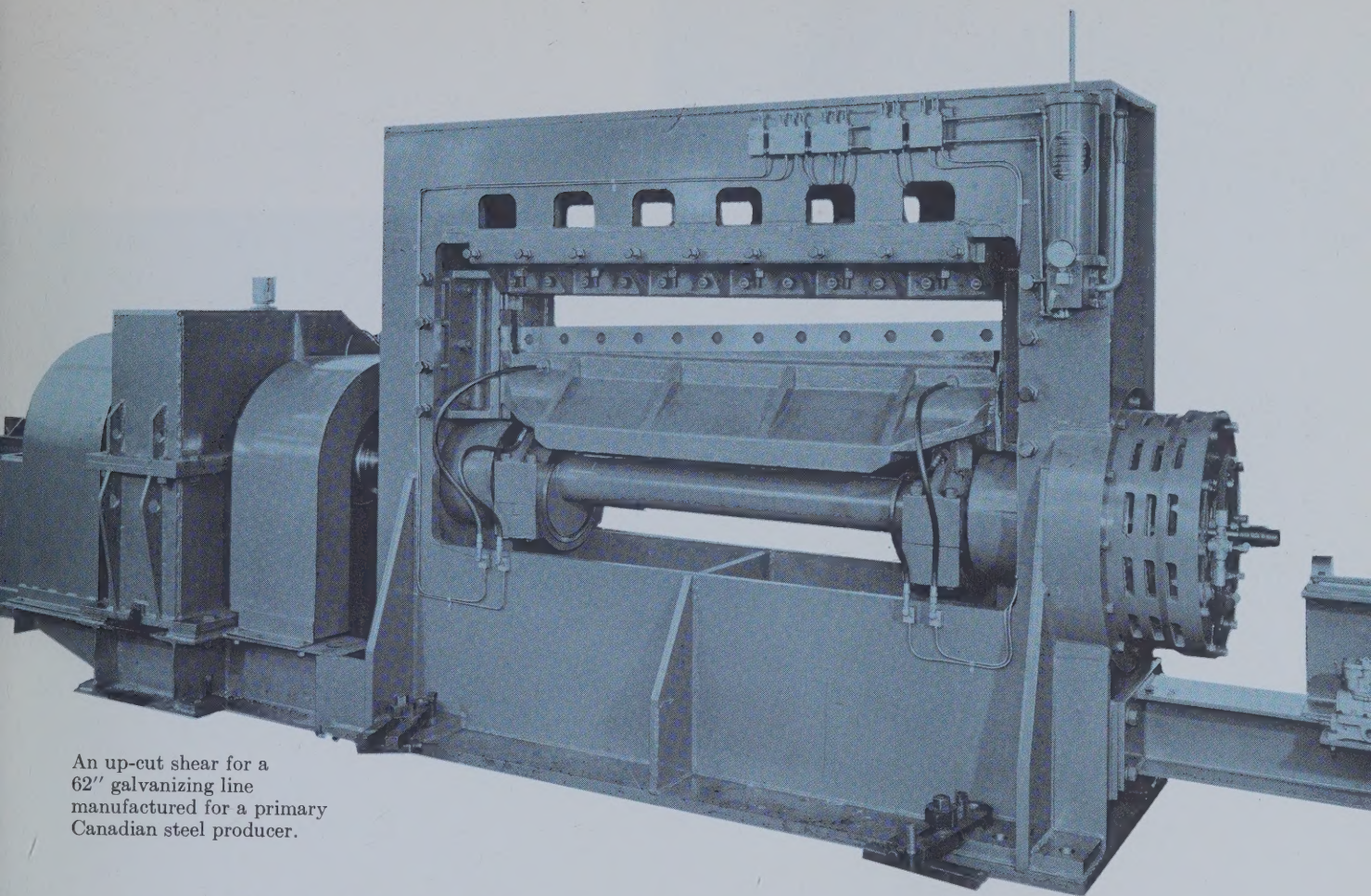


One of the biggest orders secured by the Foundry Division in 1959 was the \$3.8 million contract to supply liners for the Toronto Transit Commission's new tunnel construction on the University Avenue section of the east-west subway. Winning the order necessitated the complete reorganization of the Toronto Eastern Avenue foundry. New modern type machines were installed and new foundry techniques developed to institute a high degree of mechanization. In conjunction with the above order, an additional \$1.2 million order was taken for tunnel shields. These shields are now being manufactured by the Company's Trois-Rivières plant.

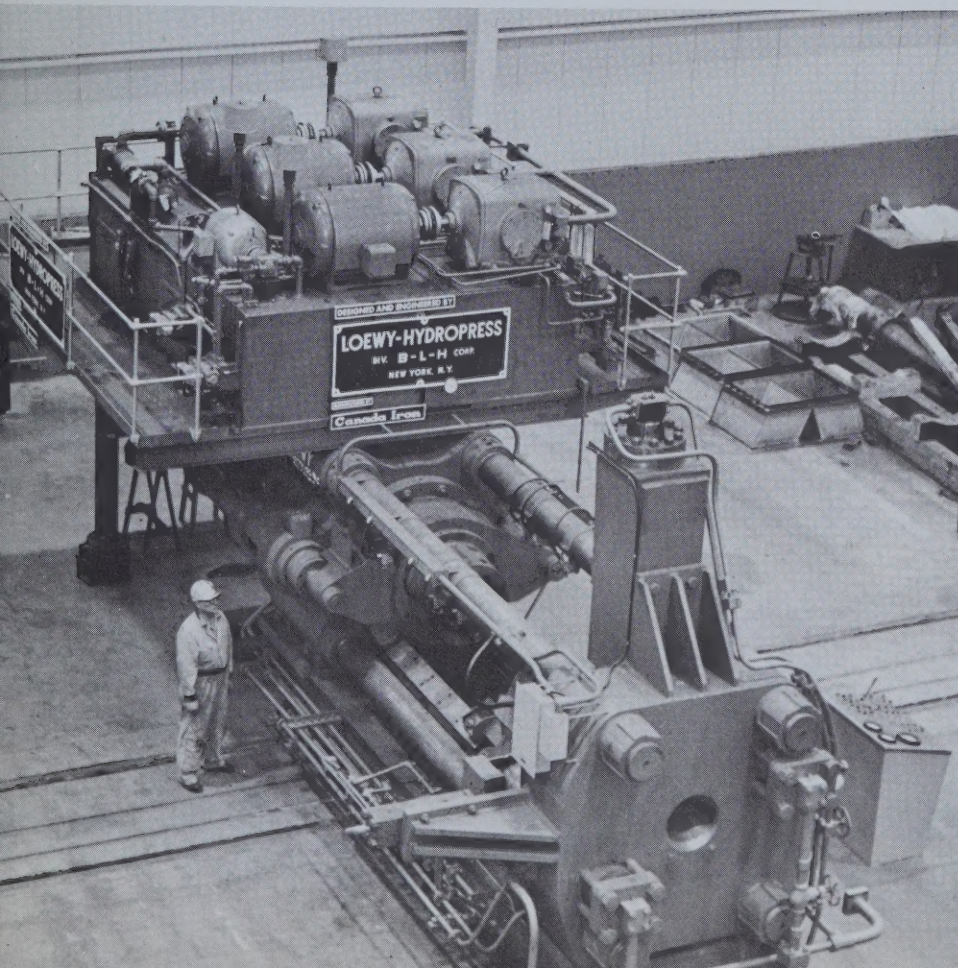


Above, left: On the tunnel liners' production line workmen role a cope from the roll-over machine into closing area. (Photo courtesy of "Canadian Machinery and Manufacturing News".)

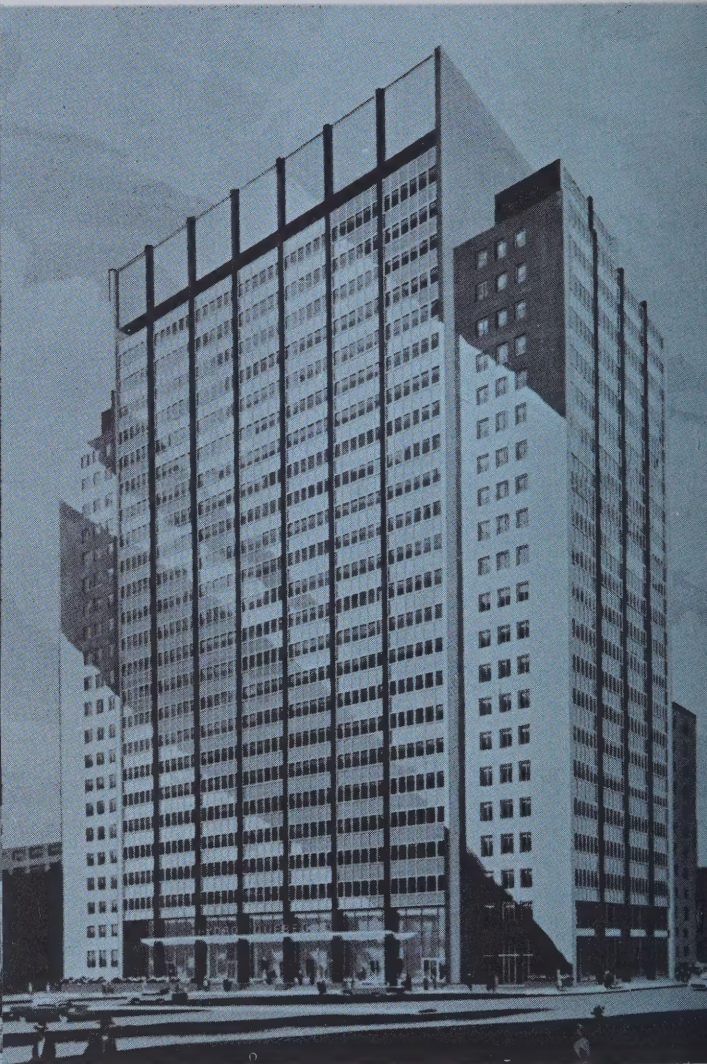
Left: Taking milling cuts on a liner for caulking groove. (Photo courtesy of "Canadian Machinery and Manufacturing News".)



An up-cut shear for a 62" galvanizing line manufactured for a primary Canadian steel producer.



These huge machines were manufactured by the new machine shop at the Trois-Rivières plant. Work on the up-cut shear (shown above) was started in 1959 and completed early in 1960. During 1959, Canada Iron secured an order from the Loewy Hydropress, Division of Baldwin-Lima-Hamilton Corporation for a 2,200-ton Loewy oil hydraulic self-contained extrusion press (see photo at left). This order illustrates the type of new business that is anticipated through the increased facilities provided by the new machine shop.



SOME OF THE ORDINARY STRUCTURAL STEEL

Commanding the Place Ville Marie project in Montreal will be the 42-storey cruciform office building (model shown above). Dominion Structural Steel Limited will fabricate and erect a large part of the structural steel.





At left: Structural steel for the 24-storey Montreal office building of the Quebec Hydro-Electric Commission will be fabricated and erected by Dominion Structural Steel Limited.



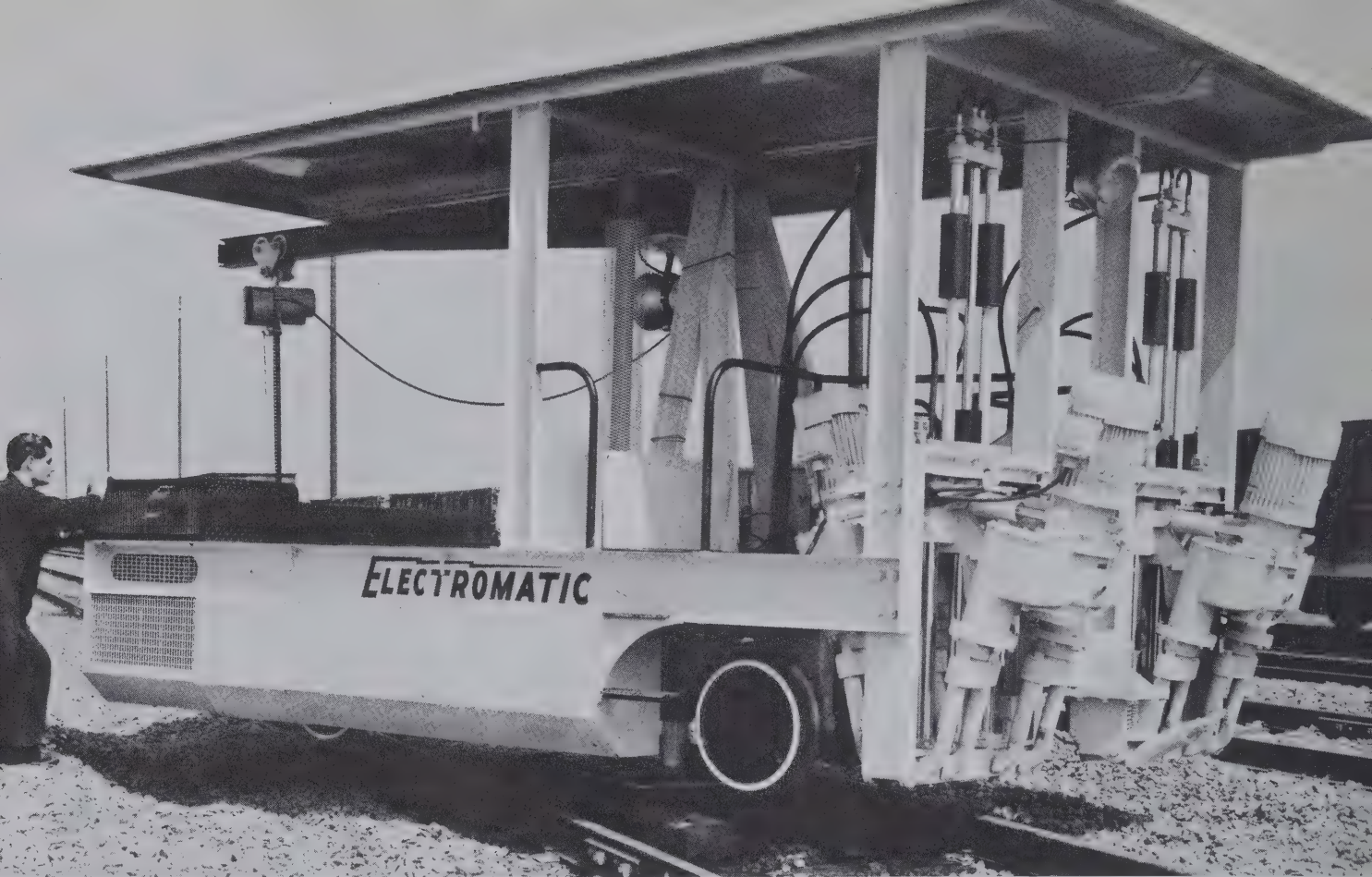
Above: Structural steel for the new Canadian Head Office in Trafalgar Township of the Ford Motor Company of Canada, Limited, will be fabricated and erected by Dominion Structural Steel Limited, Toronto.

At left: Dominion Structural Steel Limited will fabricate and erect the structural steel for The Toronto-Dominion Bank building, Montreal, which is now in the course of construction.

RS BOOKED IN 1959 BY THE COMPANIES OF THE CANADA IRON GROUP



Line drawing of Revelstoke suspension bridge being built by Western Bridge & Steel Fabricators Limited, over the Columbia River on the Trans-Canada Highway. Overall length, 1,200 feet.



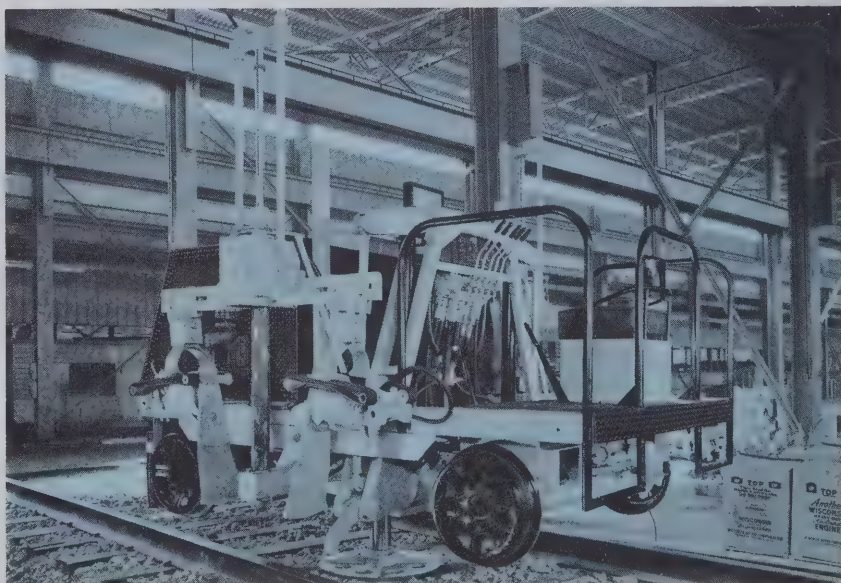
This remarkable machine, designed and manufactured by Tamper Limited is an Electromatic Tamper. The hydraulic functions of the machine are automatically and electrically controlled. The human element is thus removed so that down thrust pressure and squeeze-in pressure achieve the highest degree of uniformity of ballast consolidation.

TAMPER LIMITED

develops new track maintenance equipment

Tamper Limited developed in 1959 two unique roadbed maintenance machines for the railroad industry—the Electromatic and the Combination Power Jack and Tie-Tamping machines. Both machines are now in production for sale throughout the North American market.

Combination Power Jack and Tie Tamping machine (Model TJ-2) designed and manufactured by Tamper Limited. This machine by its simple operation, automatic clamping, rapid acceleration and braking, makes it capable of a production rate in excess of 1,000 feet per hour.





Collector sewer of
96" diameter PRESCON
reinforced concrete pipe.

In 1959, Pressure Pipe Limited entered into the prestressed concrete market with the introduction of the Double-Tee flooring and roofing slab. At the same time, the company was working on the production of other new products. Two of these new products, ready for marketing in 1960, are the Single-Tee slab for flooring and roofing and 96" diameter, Prescon reinforced concrete sewer pipe.

NEW PRODUCTS AT PRESSURE PIPE

Photograph showing Single-Tee slabs during the course of erection.



Prestressed concrete Double-Tee slabs form the modern ceiling and roof of this branch bank.



CONSOLIDATED BALANCE SHEET *as at 31st December*

Assets

	1959	1958
Current Assets		
Cash	364,954	1,374,940
Government and government guaranteed bonds— at cost (quoted market value \$558,000)	673,941	996,488
Accounts receivable, less provision for doubtful accounts	22,033,196	18,204,433
Inventories—at the lower of cost or market . .	23,157,895	26,735,753
Prepaid expenses	424,899	460,657
	<u>46,654,885</u>	<u>47,772,271</u>
Investment in Other Companies		
Shares—at cost	794,700	794,700
Fixed Assets		
Property, plant and equipment—at cost	40,684,363	36,811,532
Accumulated depreciation	<u>21,165,531</u>	<u>19,663,746</u>
	19,518,832	17,147,786
Unamortized Debenture Discount	367,852	397,248
Approved on behalf of the Board:		
T. F. RAHILLY ROSS CLARKSON } Directors.		
	<u>\$67,336,269</u>	<u>\$66,112,005</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canada Iron Foundries, Limited and its subsidiary companies as at 31st December 1959 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The consolidated financial statements incorporate figures in respect of certain subsidiary companies which have been reported on by other auditors.

In our opinion, based upon our examination and the reports of other auditors, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at 31st December 1959 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, 15th February 1960.

McDONALD, CURRIE & Co.,
Chartered Accountants.

Liabilities

	1959	1958
Current Liabilities		
Bank advances	17,926,195	17,542,857
Accounts payable and accrued liabilities	9,660,942	6,698,125
Dividends payable January 1960	349,130	348,777
Income taxes	811,948	1,110,585
Funded debt maturing within one year.	910,000	915,000
	<u>29,658,215</u>	<u>26,615,344</u>
Funded Debt —(see schedule)	12,267,000	13,177,000
Minority Interest in Preferred Shares of a Subsidiary Company	99,840	145,360
Shareholders' Equity		
Capital stock—		
Authorized—		
100,000 preferred shares of \$100 par value	10,000,000	10,000,000
2,000,000 common shares of \$10 par value	20,000,000	20,000,000
	<u>\$30,000,000</u>	<u>\$30,000,000</u>
Issued and fully paid—		
42,755 4¼% cumulative convertible redeemable preferred shares 1956 series	4,275,500	4,830,700
809,874 common shares (see notes 1 and 2) .	8,098,740	7,932,180
Retained earnings	12,936,974	13,411,421
	<u>25,311,214</u>	<u>26,174,301</u>
	<u>\$67,336,269</u>	<u>\$66,112,005</u>

Note 1: The company has reserved 128,265 common shares for issuance against the exercise of the conversion privilege of the 4¼% cumulative convertible redeemable preferred shares 1956 series.

Note 2: During the year 16,656 common shares were issued upon the conversion of 5,552 4¼% cumulative convertible redeemable preferred shares 1956 series of \$100 par value accompanied by payment in cash to the company of \$69,475.

Note 3: An amount of approximately \$210,000 payable over a period of years is required to provide for the balance of the estimated past service cost of the employees' retirement plan. This remaining liability is substantially less than the previous year's estimate because of favourable experience and revised actuarial assumptions.

CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended 31st December 1959

(with comparative figures for 1958)

	1959	1958
Profit from Operations , before the following . . .	5,774,716	8,228,239
Remuneration of executive officers including executive officers of subsidiaries who are directors of parent company	335,695	371,522
Directors' fees	17,950	16,000
Legal fees	29,215	48,223
Pension fund, past service	101,401	108,928
Interest on funded debt	781,522	831,506
Amortization of debenture discount	29,396	29,396
Depreciation of property, plant and equipment	2,319,885	2,288,494
	<u>3,615,064</u>	<u>3,694,069</u>
	2,159,652	4,534,170
Other Income		
Income from investments	63,521	72,391
Profit on disposal of fixed assets	37,494	84,904
	<u>101,015</u>	<u>157,295</u>
	2,260,667	4,691,465
Provision for Income Taxes	1,790,140	2,226,637
	<u>470,527</u>	<u>2,464,828</u>
Cumulative Preferred Dividends paid to the Minority Interest by Subsidiary Company . . .	6,892	9,845
	<u>6,892</u>	<u>9,845</u>
Net Earnings for the Year	<u>\$ 463,635</u>	<u>\$2,454,983</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended 31st December 1959

Balance—31st December 1958		13,411,421
Net earnings for the year	463,635	
Premium received on issue of 16,656 common shares	458,115	
	<hr/>	921,750
		<hr/>
		14,333,171
 Dividends—		
On 4¼% preferred shares	187,108	
On common shares at \$1.50	1,209,089	
	<hr/>	1,396,197
 Balance—31st December 1959		<hr/> <hr/>
		\$12,936,974

SCHEDULE OF FUNDED DEBT

As at 31st December 1959

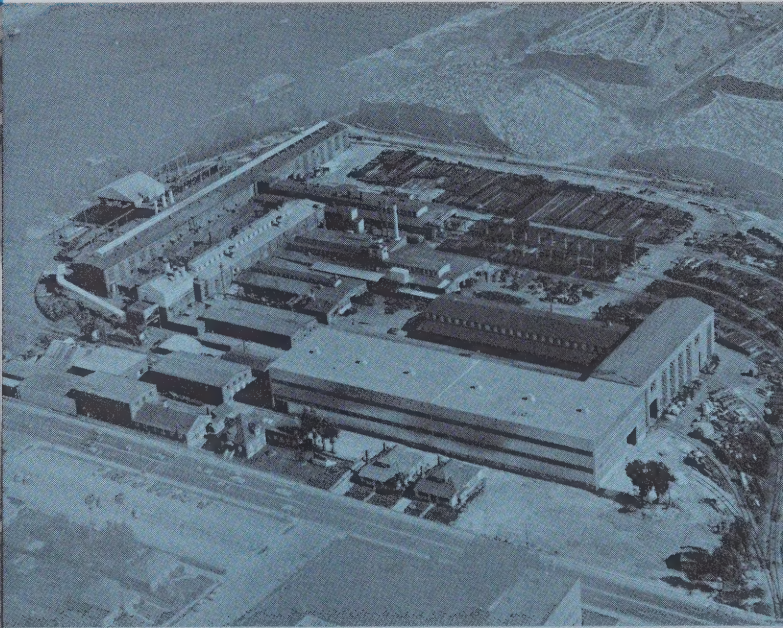
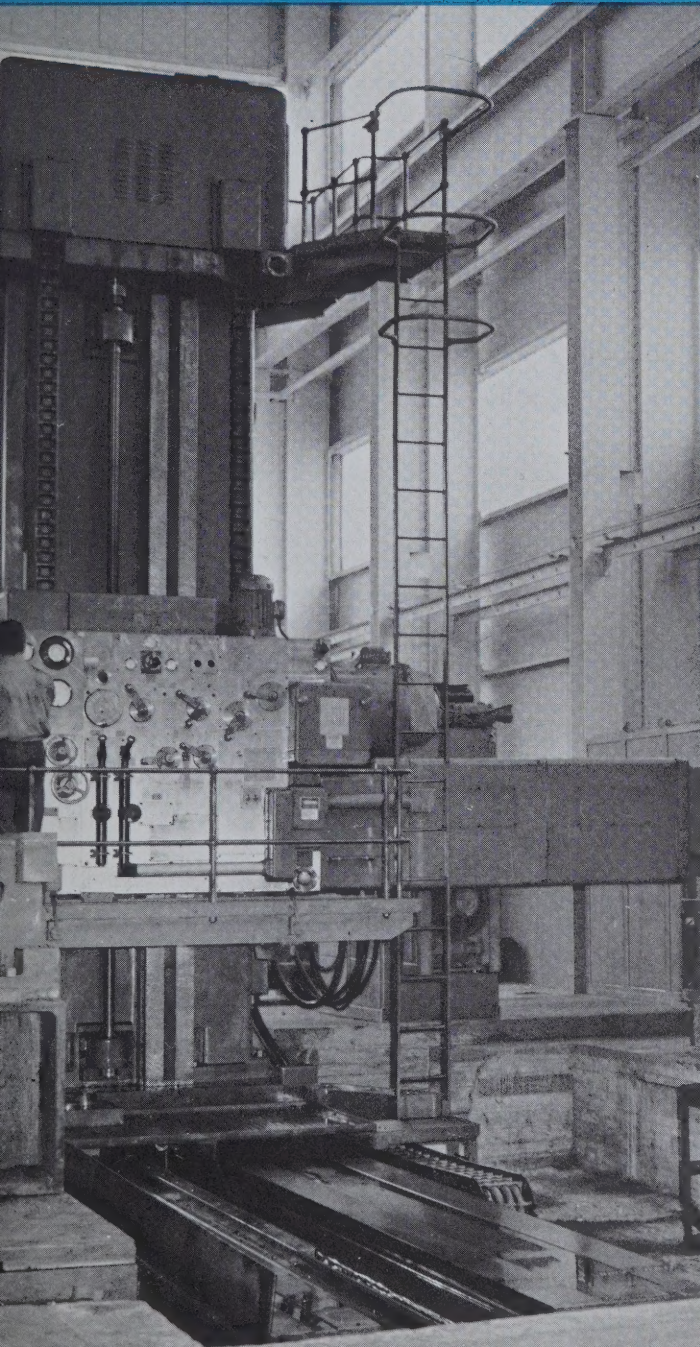
(with comparative figures for 1958)

	1959	1958
Canada Iron Foundries, Limited		
4% Serial debentures, series "A", due \$350,000 on 15th December 1957 to 1960	1,400,000	
Redeemed to date.	1,050,000	
	<hr/>	
	350,000	700,000
4¾% Sinking fund debentures, series "A", due 15th December 1965.	3,500,000	3,500,000
Sinking fund requirements—\$400,000 on 15th December 1961 to 1964		
5¾% Sinking fund debentures, series "B", due 15th April 1969	1,652,000	
Sinking fund requirements—\$70,000 on 15th April 1958 to 1965, \$272,000 on 15th April 1966 to 1968		
Redeemed to date.	140,000	
	<hr/>	
	1,512,000	1,582,000
6¼% Sinking fund debentures, series "C", due 15th October 1977.	7,500,000	
Sinking fund requirements—\$375,000 on 15th October 1958 to 1976		
Redeemed to date	750,000	
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	6,750,000	7,125,000
	<hr/>	
	12,112,000	12,907,000
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Tamper Limited		
4½% Notes due 31st December 1960	115,000	235,000
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Western Bridge and Steel Fabricators Limited		
5½% Serial debentures, due \$100,000 on 31st January 1961 to 1969, \$50,000 on 31st January 1970	950,000	950,000
	<hr/>	
	\$13,177,000	\$14,092,000
	<hr/>	
Funded Debt		
Maturing within one year	910,000	915,000
Not maturing within one year	12,267,000	13,177,000
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	\$13,177,000	\$14,092,000
	<hr/>	

NEW MACHINE SHOP

*opened in 1959
at the
Trois-Rivières plant
brings
new business*

The new machine shop at the
Trois-Rivières plant stands out in the
foreground of the aerial view below.



The new equipment in this shop will
allow the company to take bigger jobs
and handle them faster and more efficiently.
For example, the giant Asquith Floor Type Milling
and Boring machine shown at the left,
will mill 10' x 25' slabs and bore
to depths of 6 feet.

